



An Overview of Hong Kong's

Anti-Money Laundering & Counter-Terrorist Financing Regime (AML & CTF Regime)

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Financial Action Task Force (FATF)

- Inter-government organization
- 34 members + 2 regional organizations
- International AML/CFT standard setter
(40 + 9 Recommendations)
- Develop and promote policies



FATF Mutual Evaluation 2008

- **Recognized the strengths of Hong Kong's AML/CFT regimes**
- **Also identified areas requiring improvements**
 - **CDD & record-keeping requirements**
 - **enforcement powers of financial regulators**
 - **criminal & supervisory sanctions**
 - **remittance agents & money changers**



HK AML & CTF Regime - Overview

- 1989 Drug Trafficking (Recovery of Proceeds) Ord.
- 1994 Organized & Serious Crimes Ord.
- 2002 United Nations (Anti-Terrorism Measures) Ord.
- 2011 Anti-Money Laundering & Counter-Terrorist Financing (Financial Institutions) Ord.



Anti-money Laundering & Counter-Terrorist Financing (Financial Institutions) Ord. (AMLO)

- **To be effective : 2012-04-01**
- **Guiding principles for AMLO :**
 - conform with FATF standards**
 - compliance cost minimized**
 - partnership approach to assist market**



Scope

➤ **AMLO apply to whom :**

- **Licensed corporations (by SFC)**
- **Authorized institutions (by HKMA)**
- **Insurers, insurance agents & brokers (by OCI)**
- **Remittance agents & money changers (by C&E)**



Customer Due Diligence

➤ **FI is required to :**

- **identify the customer & verify identity**
- **identify beneficial owner & verify identity**
- **understand the purpose & business nature of the business relationship**

➤ **When : open account, occasional transaction > \$120000, wire transfer > \$8000, or suspect/doubt ML**



Ongoing Monitoring

- **CDD up-to-date & relevant**
- **Consistent & risk profile**
- **Identifying transactions**
 - **complex, unusually large, unusual pattern**
 - **no apparent economic or lawful purpose**



Record-keeping

- **FIs must keep records of the following for six years :**
 - * documents/information obtained during CDD**
 - * transaction records**



Proper Internal Control

- **FIs to take all reasonable measures**
 - **proper safeguards to prevent contravention**
 - **mitigate ML & TF risk**



Independent Review Tribunal

- **Proper procedural safeguards and checks & balances**
 - **S.21 disciplinary sanctions & other specified decisions of financial regulators**



Guidelines, etc

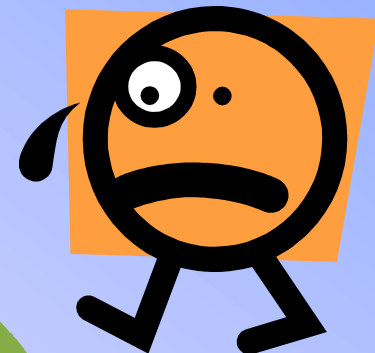
➤ Financial regulators:-

- to issue AML guidelines, circulars, etc.
- to conduct AML seminars & other briefings to assist private sectors to comply.



Role of Financial Sectors

Gatekeeper





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Gatekeeper

How to achieve:-

- Sound legal & regulatory regime
- Conform with FATF Standards
- Partnership approach
- Enforcement & sanction





Thank
you!